What is it?

Why is it becoming a major factor?

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OU-1

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Outsourcing makes good business sense for the client

Fortune article, Sept. 23, 1991

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Beyond Products: Service-Based Strategy

HBR March/April 1990

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"IBM runs our computer center as it's supposed to be run—as a profit center, not a cost center."

Kathy Hudson, Kodak

Source: *Fortune* article

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Key Findings

- Value added from services
- Technology enhances services
- Services enable competitive differentiation

Source: *HBR* article

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"I haven't lost 200 people, I've gained 50,000."

Jack Livingston,
National Car Rental

Source: *Fortune* article

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OU-3a

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Recommendations

- Focus on core services
- Outsource other activities

Source: *HBR* article

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Key Conclusions

- Vendor profit margins are generous (25-30%)
- Clients save up to 40%
- Outsourcing—a strategic decision for clients

Source: *Fortune* article

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Key Conclusions

- Some risk in outsourcing development
- New forms of corporate interdependence

Source: *Fortune* article

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Outsourcing

- Outsource non-competitive activities
- Outsourcing builds flexibility
- Outsourcing allows focus

Source: *HBR* article

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Outsourcing is the contracting of information systems processes to external vendors.

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Outsourcing Provides For:

- Vendor responsibility for IS processes
- Long-term relationship
- Structured price for services

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IS Outsourcing Areas

1. Systems operations
2. Application maintenance
3. Application management

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Outsourcing represents the future of the information services industry

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"Outsourcing" vs. Buying Services

1980s: Services achieved recognition

1990s: Overcome prejudice against buying management services

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"Outsourcing" vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

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Focus

Systems integration (SI)

Systems operations (SO)

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Outsourcing Vendors

- Approaches differ greatly
- Variety of capabilities needed
- Partnerships/alliances result

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Client Organization

- IT and IS will change the organization
- How will it operate?

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Client Organization

- People
  - How many?
  - When?
  - What skills?

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Potential for revolution is there.

Forecasts are based on evolution.

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Evolution of Outsourcing

Product/Service	1970s	1990s
Applications Software	Applications Packages	→ Applications Management
Professional Services	Consulting Contract Prog	→ Applications Maintenance

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Evolution of Outsourcing

Product/Service	1970s		1990s
Processing Services	Specific Proc Serv	→	Systems Operations
Networking Services	Value-Added Networks	→	Network Operations

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OU-18b

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Outsourcing in the 1990s
What is Different

- Size and length of commitment
- Breadth of responsibility assumed by vendor
- Client seeking partner

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Outsourcing in the 1990s
What is Different

- Complexity of IT solutions
- Professional services component
- Systems management

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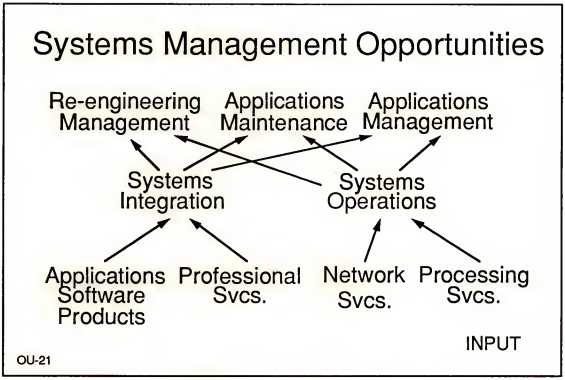

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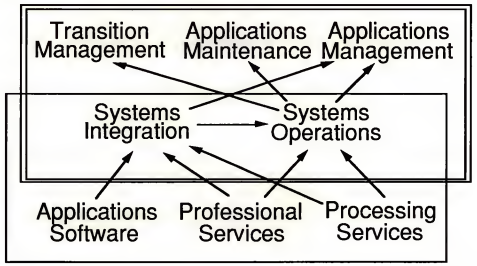
Systems Management Opportunities



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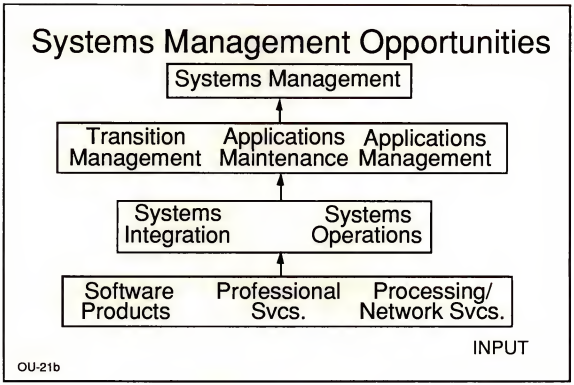

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Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Management	High	High	Medium
Systems Operations	High	Medium	Medium

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Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Maintenance	High	Medium	Low

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Driving Forces—Outsourcing

Category	Outsourcing
Staff	Scarcity of talents
Technology	Increasing complexity New technology

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Driving Forces—Outsourcing

Category	Outsourcing
Response	Service requirements Flexible operations
Financial	Cost reduction New scales of economy
Management	Executive refocus

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Inhibiting Factors
Outsourcing

Category	Outsourcing
Management	Loss of control
Fallback	Inability to reverse decision

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Inhibiting Factors Outsourcing

Category	Outsourcing
Financial	Uncertain savings
Staff	Threat to organization

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Outsourcing User Issues

- Business environment
  - Critical value of information
  - Organizational impact
  - Flexibility for change

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Outsourcing User Issues

- Operating environment
  - Dependency on vendor
  - Long-term stability
  - Improved service levels
  - Control over operating costs

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Outsourcing Relationship Classification

Relationship Type	Outsourcing Category	Relationship Characteristics
Partnership-Based	Applications Management	Management-oriented Broad scope Open-ended timing

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Outsourcing Relationship Classification

Relationship Type	Outsourcing Category	Relationship Characteristics
Partnership-Based	Systems Operations	Broad expertise Personnel transfer Flexible agreement Service levels

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Outsourcing Relationship Classification

Relationship Type	Outsourcing Category	Relationship Characteristics
Partnership-Based	Network Operations	Communication expertise Service levels Change management

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Outsourcing Relationship Classification

Relationship Type	Outsourcing Category	Relationship Characteristics
Objective-Based	Applications Maintenance	Specific expertise Focused agreement Target dates

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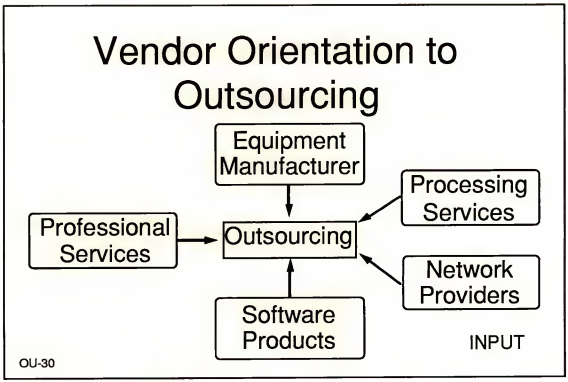

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Vendor Strategies

- Systematics
- Andersen Consulting
- Electronic Data Systems

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Systematics/Alltel

Heritage	Applications operations
Focus	Banking/health care
Strength	Industry specialization Application software
Direction	Systems management

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Andersen Consulting

Heritage	Professional services
Focus	Business solutions
Strength	Business knowledge Technology orientation Change management
Direction	Systems management

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Computer Sciences Corp.

Heritage	Professional services/consulting
Focus	Systems integration/ systems operations

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Computer Sciences Corp.

Strength	Federal government experience Large technical staff Program management experience Re-engineering (index)
Direction	Commercial systems operations Transition management

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OU-34b

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Electronic Data Systems

Heritage	Facilities management
Focus	Systems/network operations
Strength	Worldwide network Huge data centers Desktop management
Direction	Business operations Functional management

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Organizational Impacts

Group	Impacts
Total Organization	No visible impact Reallocation of personnel Faster access to skills More disciplined implementation

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Organizational Impacts

Group	Impacts
Information Systems Management	Manage a smaller organization Shift to tactics and strategy Time available for planning

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Organizational Impacts

Group	Impacts
Information Systems Professional	Significant initial anxiety Greater career opportunities

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Conclusions
User View

- Outsourcing is different for the 1990s
- Outsourcing offers new opportunities
- Outsourcing leads to faster response
- Outsourcing helps IS change role

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Government Outsourcing Inhibitors

- Government union pressures
- Legislative union support
- Government information protection

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Government Systems Changes

- Replacing outdated systems
- Automating labor intensive operations
- Connecting standalone systems
- Moving control to end users

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Government Systems Directions

- Point-of-service functions
- Client-server features
- Move to open systems
- Adoption of UNIX standards

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Outsourcing

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OU-43

Notes

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Buyer Motivation for Outsourcing

	Ranking	
	1991	1990
Reduce Operating Costs	1	2
Improve Service Levels	2	5
Refocus Executive Attention	3	8

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OU-45a

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IBM (ISSC)

Heritage	Equipment manufacturer
Focus	Platform operations
Strength	Selective industry knowledge Large resource base Customer base Services infrastructure
Direction	Systems management

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OU-44

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Buyer Motivation for Outsourcing

	Ranking	
	1991	1990
Supplement Internal Skills	4	7
Provide Flexibility/Response	5	6
Acquire New Technology	6	NM

NM=Not Mentioned

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OU-45b

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Conclusions

- Outsourcing is revolutionary
  - Functional responsibility to vendor
  - Increased dependence for clients
  - Increased risk for vendor

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Conclusions

- Outsourcing is revolutionary
  - Vendor/client partnerships
  - Vendor success tied to client success
  - Vendor provides all services

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Conclusions

- Outsourcing revolution continues
  - Deals are getting bigger
  - Larger vendors most successful
  - More services being outsourced

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The Outsourcing Revolution

A new way of doing business . . . better

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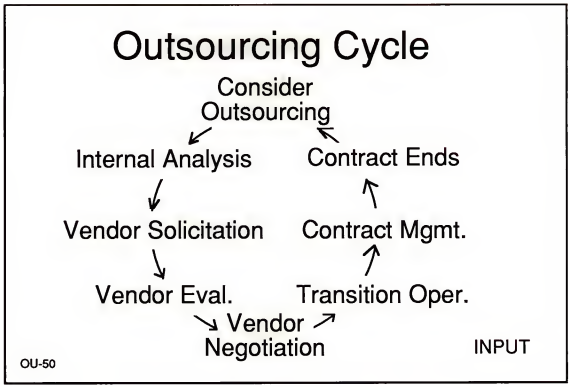

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Outsourced Functions

Function	Number of Resp.	
	Yes	No
Platform Operations	20	1
Applications Operations	10	11
Applications Maintenance	1	20
Network Operations	10	11
Desktop Services	7	14

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Important Evaluation Criteria

OU-52 Note: 13 respondents answered the question

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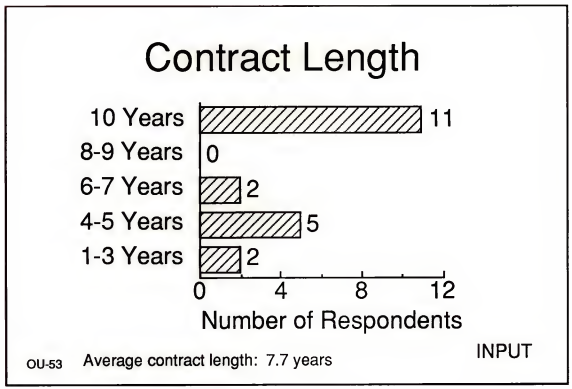

OU-53 Average contract length: 7.7 years

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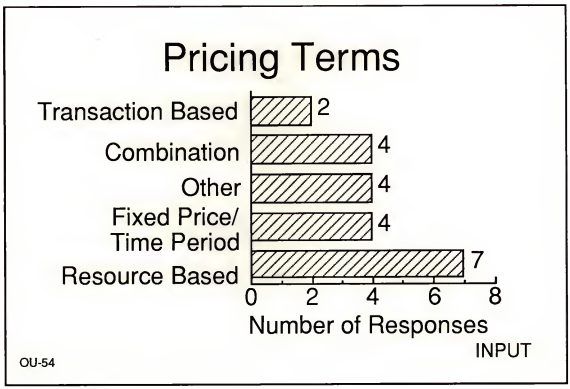

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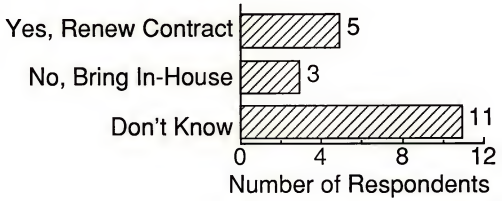
Upon Contract Expiration Continue Outsourcing?



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Outsourcing of Network Management

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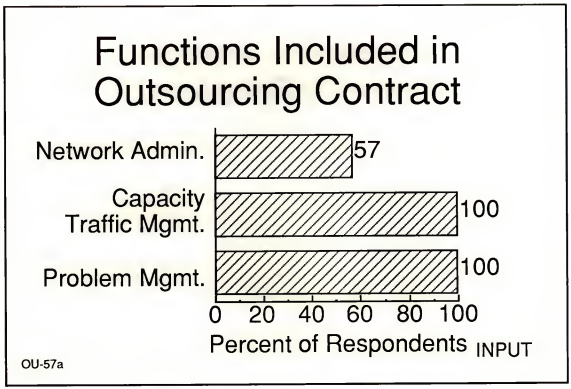

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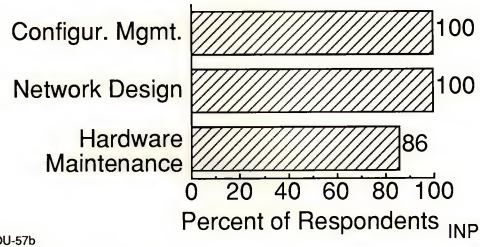
Functions Included in Outsourcing Contract



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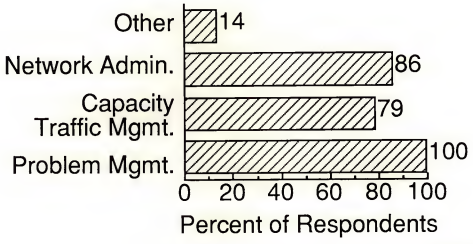
Vendor Functions Provided



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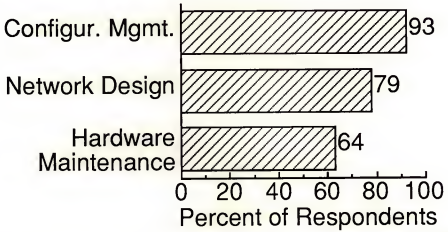
Vendor Functions Provided



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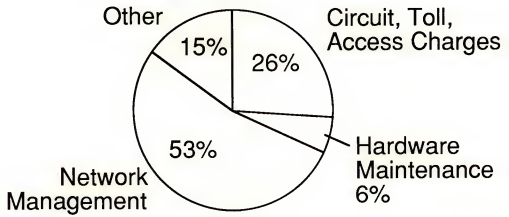
Vendor Revenue by Type of Service



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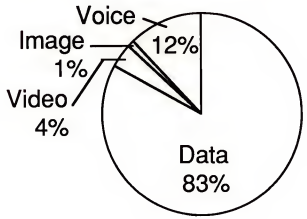
Network Management Market



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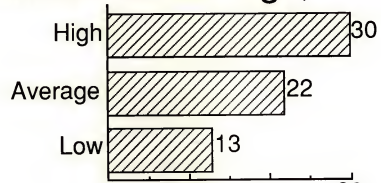
Network Operations Management

Vendor Estimates of Customer Savings, 1991



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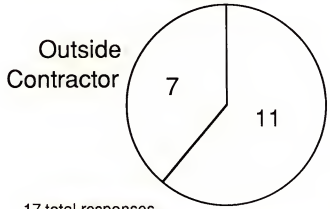
Who Does Your Network Management



17 total responses
1 company used both in-house and outside vendor

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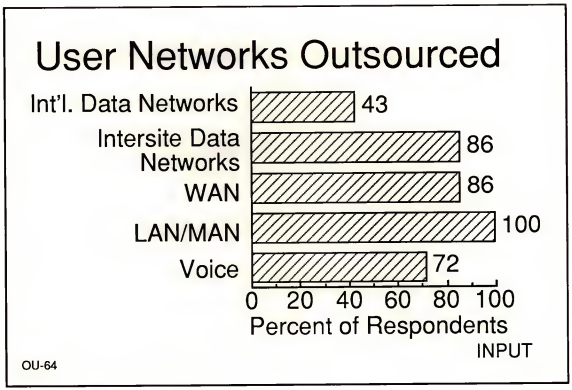

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Desktop Services

Outsourcing Opportunity

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Elements of Desktop Services

- PC/workstation and software procurement/installation
- PC/workstation maintenance
- Client/server management

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Elements of Desktop Services

- LAN installation and expansion
- LAN management
- Network interface management

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Elements of Desktop Services

- Logistics management
- User support
- Help desk functions
- User training and education

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Desktop Services Providers
Current

- EDS
- DEC
- ISSC
- SHL Systemhouse
- Computerland
- JWP

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Desktop Services Providers

- Potential
  - Integris
  - Bell Atlantic
  - Sears Business Center

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Driving Forces
Desktop Services

- Core Business Focus
- Downsizing
- PC/LAN Based Applications
- Technological Change

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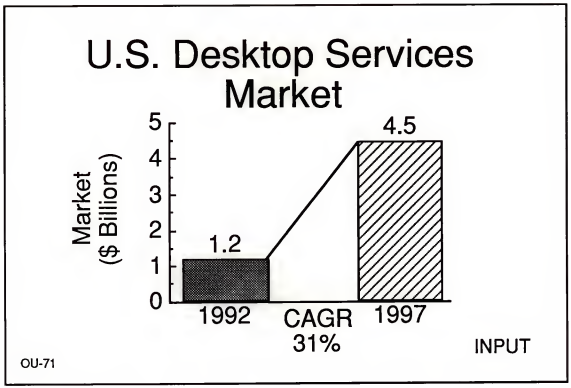

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Typical Desktop Contracts in the U.S.

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JWP/Kodak

- Part III of large outsourcing contract (ISSC/DEC)
- Provides
  - PC/workstation maintenance
  - Software upgrade
  - Help desk services

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OU-73

Notes

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EDS/GE

- Contract valued at $500 million (5 yrs.)
- Provides:
  - PC/workstation central purchasing
  - Establishment of product specs
  - PC/workstation maintenance
  - Software upgrade and training
  - Help desk

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DEC/Blockbuster Video

- International contract
- Provides:
  - Implementation and start-up service
  - Connectivity to network
  - Help desk
  - Hardware and software upgrade

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OU-75

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ISSC/Zale Corp.

- Part of large outsourcing contract
- Provides:
  - PC/workstation maintenance
  - Software upgrade
  - Help desk

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Vendor Characteristics

- Broad geographic base
- Good program management resources
- Prior demonstrated success
- Resources to invest in expansion

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Benefits of Desktop Services

- Clients regain control over PCs
- Management shifts to vendor
- Expenses are predictable
- Enhancements easier to implement
- Standards are a by-product

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Desktop Services

Conclusions

- Newest phase of outsourcing market
- High growth potential
- Driven by downsizing pressure
- High technology content

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Important Factors in OS Contract Management

- Ongoing communications
- Vendor flexibility

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Recommendations

- Solicit a number of bids
- Look for responsive vendors
- Specify performance standards and penalties
- Demand a short contract period

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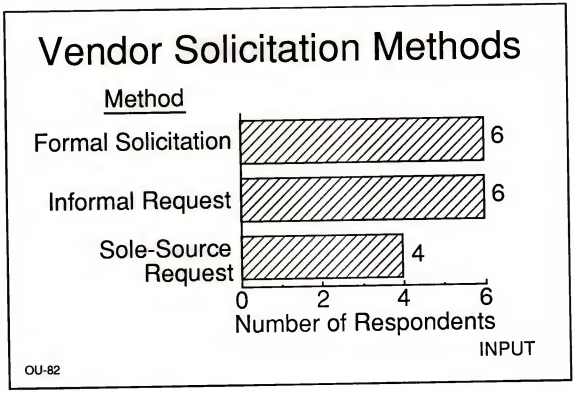

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Information Systems Outsourcing

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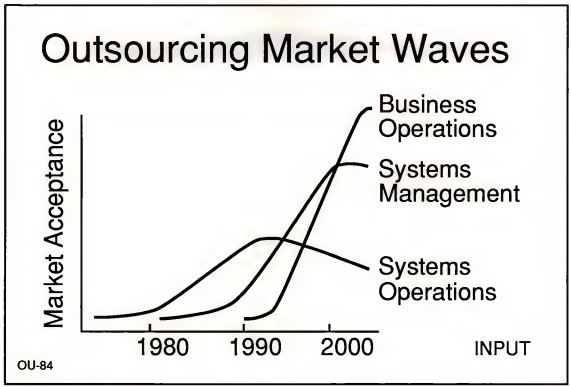

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U.S. Outsourcing Market Forecast

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Outsourcing Market Trends/Issues

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Major Contracts

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Outsourcing Contracting and Pricing

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Value Pricing Concept

- Three components
  - Audience
  - Determine benefit
  - Cost of achieving benefit
- EDS and DEC

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Market Diversification

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Business Operations Outsourcing

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Transition Outsourcing

- Vendor manages current systems operations
- Client develops new systems
- Client transitions to new systems environment

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Transition Outsourcing

- Tool for management of change
- Controlled phase-out approach
- Management of existing operations
- Short-term agreement

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Typical Transition Contracts

Client	Vendor	Value ($M)
Dial Corp.	Andersen	10
Revlon, Inc.	Andersen	2
Penrod Drilling	EDS	2
Combustion Engr.	Power	1
Freeport-McMoran	ISSC (?)	10 *

*Estimate

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Impact of Transition Outsourcing

	% of Total Market	
	Now	3 Yrs.
Platform Operations	20-25	<10
Applications Operations	<10	15-20
Network Operations	10-15	15-20
Desktop Services	0	<2

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Transitional Outsourcing Benefits to Client

- Shifts focus to system enhancements
- Better control of phase-out
- Shifts onus for closeout to vendor

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Transitional Outsourcing Benefits to Vendor

- Potential for SI add-on
- Develop client relationship
- Necessary part of some SI engagements

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Typical Networks Management Contracts in the U.S.

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FTS 2000/AT&T/Sprint

- AT&T has 60%, Sprint 40% of agency business
- Issue of "technology refreshment" critical
- Savings significant to government
- Multibillion $/10-year contract

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Notes

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State of Minnesota/MCI

- Links agencies, counties, cities and colleges
- High level of video traffic
- 5-year implementation

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Kodak/DEC

- Part II of larger Kodak outsourcing contract
- Expansion to international in process
- Staff transfer key element

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Quotron/IBM

- Includes customer service function
- IBM using VAN as backbone
- Quotron helps its data centers

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Outsourcing Revolution Is Changing

- New outsourcing options
- Contract award slowdown
- Changing players
- Shorter contracts

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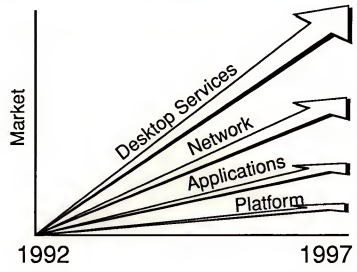
Changing Outsourcing Options



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1992 Forecast Summary

- Growth rate increasing
- Federal market confused
- New vertical market strengths
- Potential for explosive growth

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Recent Market Aberrations

- Mellon Bank gets National Steel
- Kimberly Clark leaves market
- ISSC to manage Advantis
- New vendors emerging
- Users changing vendors

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Impact of Downsizing on Outsourcing

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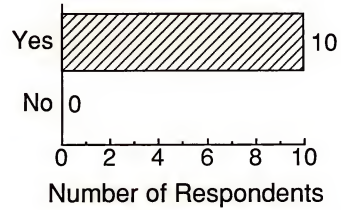
Outsourcing Clients Considering Downsizing



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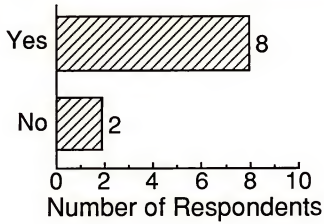
Vendors Adding Downsizing to New Contracts



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Impact of Downsizing on Platform Operations

- Applications migrate to client/server
- Mainframes become servers
- Fewer mainframes required
- New skills required

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Impact of Downsizing on Platform Operations

- Existing contracts renegotiated
- Some contracts canceled/replaced
- Profitability affected in out-years
- New contracts shorter and transitional

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OU-110b

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Impact of Downsizing on Network Management

- Increase in demand
- Nature of network mgmt. changes
  - Centralized network requirements reduced
  - Distributed network requirements increased

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OU-111a

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Impact of Downsizing on Network Management

- Need for enhanced technology
- Need for consolidation of distributed applications
- Challenge to vendors
  - Increase functionality while reducing costs

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OU-111b

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Impact of Downsizing on Applications Management

- Increase in demand
- Transition management opportunities
- Re-engineering opportunities

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Impact of Downsizing on Applications Management

- Requirement for integration of applications
- New skills required
- Increased partnerships with software product vendors

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OU-112b

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Impact of Downsizing on Applications Maintenance

- Transition management opportunities
- Traditional maintenance revenue decline
- Local presence required for downsized applications
- New skills/partners required

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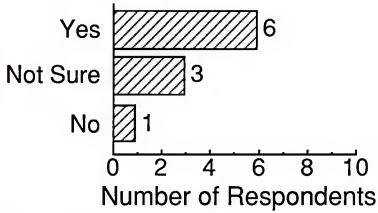
Do Certain Outsourcing Vendors Have Advantage in Downsizing?



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Vendor Views

Outsourcing Vendor Downsizing Strategies

Leverage professional skills	Andersen PRC SHL Systemhouse
Leverage hardware and professional skills	ISSC DEC

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Vendor Views

Outsourcing Vendor Downsizing Strategies

Leverage software products/reputation	Systematics
Use teaming partners	Perot Systems

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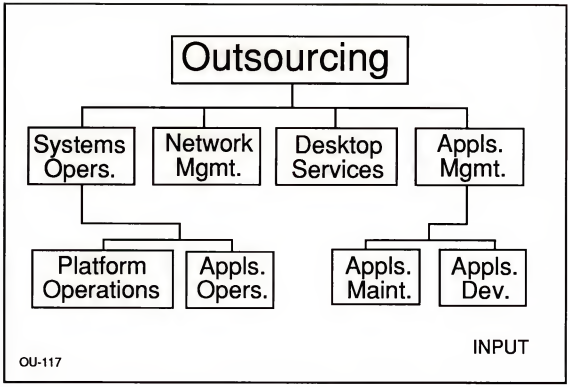

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Drivers to Desktop Services

- Whole environment is new and complex
- IS departments lack skills, coverage and inclination
- Users lack skills and inclination
- Third parties are acceptable

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Opportunities for Desktop Services Suppliers

- Become equipment/software suppliers
- Direct contract with users creates SI/professional services opportunties

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Opportunities for Desktop Services Suppliers

- Considerable 'add-on' potential, including
  - Telecommunication systems
  - Office (e.g., image) systems

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OU-119b

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Introduction

- Changing outsourcing options
- Outsourcing strategies
- Impact of downsizing on outsourcing
- User concerns
- Vendor directions and strategies
- Conclusions/recommendations

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OU-120

Notes

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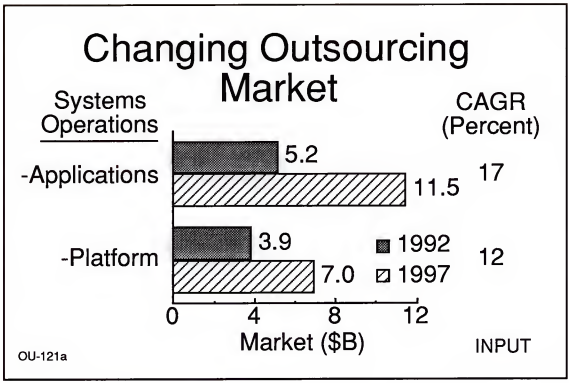

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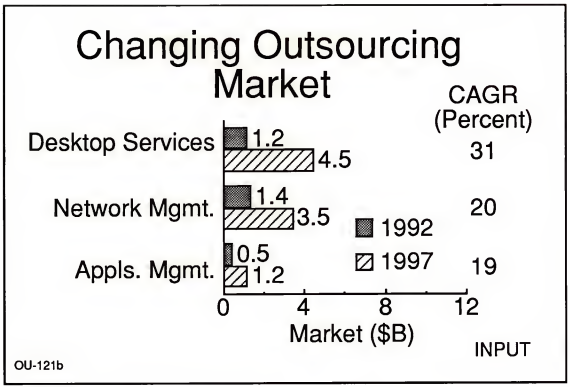

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Current Outsourcing Strategies

- Economic strategy
- Service enhancement

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New Outsourcing Strategies

- Transition strategy
- Change agent
- Business strategy

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OU-123

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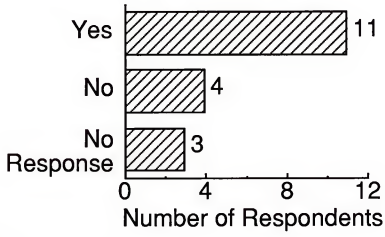
Both Outsourcing and Downsizing Viable?



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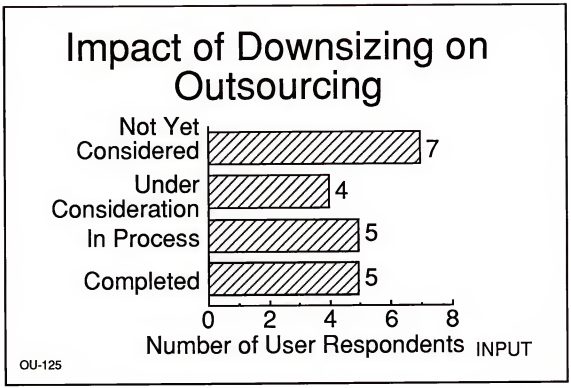

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Impact on IS Function

Technocrat ≠ CIO = Business Manager
Operational ≠ IS = Strategic/Planning
Centralized ≠ Processing = Distributed

OU-126

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Vendor Challenges

- Provide full service range
- Maintain flexible organization
- Meet growing network requirements
- Educate users on expectations

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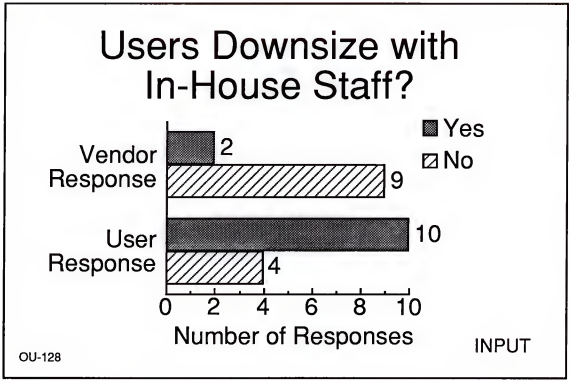

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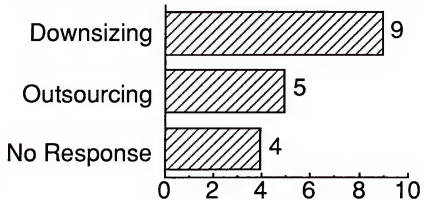
Which Saves Most Downsizing or Outsourcing?



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User Concerns

- Define requirements clearly
- Re-engineer business operations
- Control IT resources
- Keep up with technology change

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Vendor Strategies

- Ride the downsizing wave…
  - Applications management
  - Network management
  - Desktop services

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Conclusions

- Downsizing provides outsourcing opportunities
  - Short term
    - Transition management

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OU-132a

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Conclusions

- Downsizing provides outsourcing opportunities
  - Long term
    - Desktop services
    - Network management
    - Applications management

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Conclusions

- Outsourcing vendors to assume new roles
  - System integrator
  - Network manager
  - Business manager

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Introduction

- Elements of desktop services
- Market size
- User requirements/concerns
- Vendor strategies
- Conclusions and recommendations

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Elements of Desktop Services

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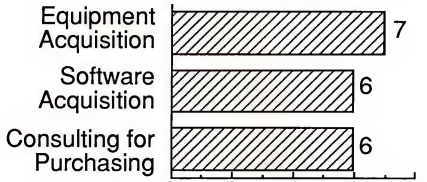
Supply Services Required



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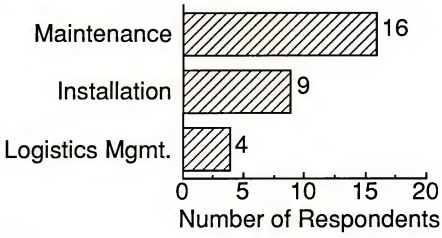
Equipment Support Required



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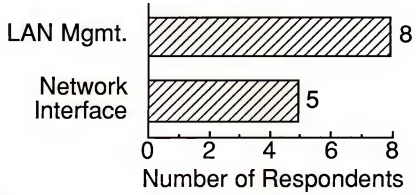
Connectivity Services Required



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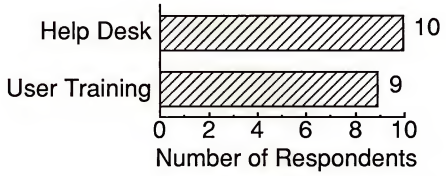
User Support Required



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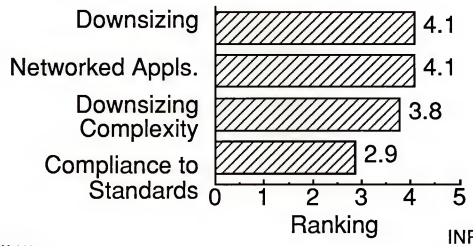
What Is Spurring Desktop Services?



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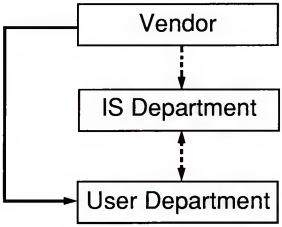
Change in Client Interface



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User Requirements

- "80% solutions" today
- Convenient interface/access
- Training
- Rapid problem resolution

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IS Department Requirements

- Control over standards
- Predictable costs
- Relief from management burden
- Removal from daily problems

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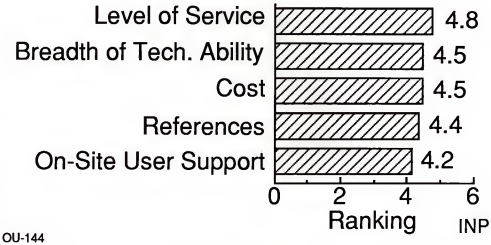
Major User Criteria for Desktop Vendors



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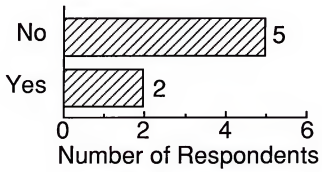
Separate Contract for Desktop?



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Typical Inclusive Desktop Contracts

- JWP/Kodak—Part III of large 3-vendor contract
- ISSC/Zale—Part of large applications operations

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Typical Inclusive Desktop Contracts

- Businessland/Freeport—Part of large 3-vendor contract
- DEC/Imperial Oil—Not only piece outsourced

OU-146b

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Typical Exclusive Desktop Contracts

- EDS/GE—$500 million for 5 years
- DEC/Blockbuster—International contract

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Desktop User Issues

- Accept responsibility
- Maintain connectivity
- Control productivity
- Educate end users

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Vendor Strategies

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Desktop Vendor Requirements

- Need local presence
- Need large, dispersed staff
- Control inventory
- Educate users

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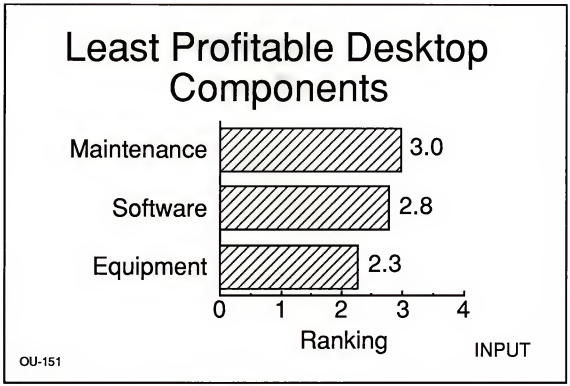

Notes

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Opportunities for Outsourcing Vendors

- Provide additional services
- Broaden client penetration
- Protect existing relationship
- Create application management opportunity

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Recommendations and Conclusions

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Vendor Recommendations

- Develop new staff capabilities
- Invest in management tools
- Form alliances

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User Recommendations

- Standardize equipment/software
- Invest in training
- Be skeptical of technology

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Conclusions

- Vendors need to support downsizing
- Desktop services difficult to manage
- Benefits to users significant
- Growth potential explosive

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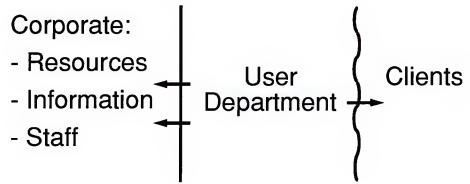
User Environment Changing



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Vendor Directions

- IBM/Sears joint venture
- EDS restructure/refocus
- Ameritech/May-Speh partnership

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Recommendations
Vendors

- Position for change
- Restructure for diversity
- Assume role of change agent

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Recommendations
Users

- Consider all options
- Forget non-critical functions
- Manage outsourcing relationships

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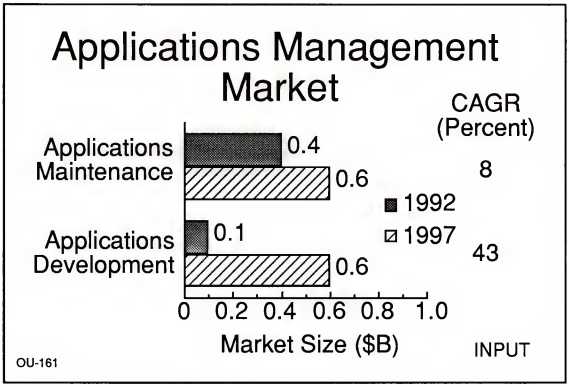

Notes

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Major Applications Management Vendors

- Andersen Consulting
- EDS
- ISSC
- Ernst and Young

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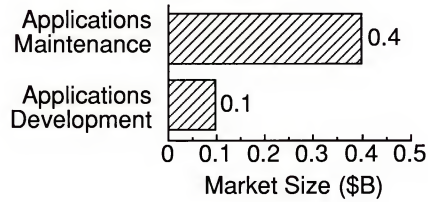
Applications Management 1992 Market



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Notes

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Profile of a Typical Application Management Contract

- Value $2 million over three years
- Covers all commercial applications
- Cobol predominant language

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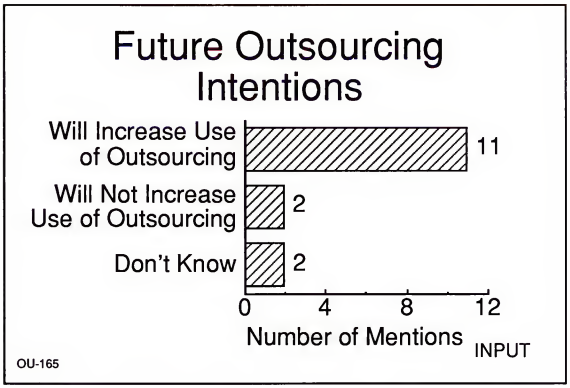

Notes

Sample of 15 users

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BPR Vendor Strategies

- Do BPR as part of service
  - Andersen
  - EDS
  - CSC
- Don't do BPR at all
  - TSC
  - CTG

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BPR Tools

- CASE methodology
- CALS philosophy/software
- Change management

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Business Operations Outsourcing

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Vendor Strategies

- Consider business operations next logical step
- Look for "niche" markets
- Do operation better than client

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Operations to be Outsourced

- Claims processing
- Document processing
- Accounting function
- Human resources management

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Claims Processing Vendors

- CSC
  - Blue Cross
  - Federal Emergency Management
  - Black Lung Program
- EDS
  - Blue Cross
  - Medicard/Medicare

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Document Processing Vendors

- EDS
  - Printing, retrieval, and fulfillment
- Genix
  - Printing and fulfillment
- ACXIOM
  - Fulfillment management and printing

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Major Outsourcing Vendor Strategies

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Outsourcing Vendor

IBM (ISSC)

- Autonomous subsidiary
- Use IBM marketing strength
- Respond to "trading area" needs
- Stress services orientation

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Outsourcing Vendor

EDS

- Major equity investment to gain business
- Reduced GM-derived revenue
- Aggressive "independent" marketing units
- Shift to international focus

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Outsourcing Vendor

CSC

- Shift emphasis to commercial
- Strategic acquisitions
  - Index Group
  - Intelicom

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ISSC - McDonnell Douglas

- $3 billion over 10 years
- Responsible for all IT and communications
- Staff and facilities transferred
- Unisys large subcontractor

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EDS - Bethlehem Steel

- $500 million for 10 years
- Manage data center
- Manage shop floor equipment
- Network management to be added

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Notes

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Major Awards 1993 (YTD)

- Bethlehem Steel/EDS
- Equifax/ISSC
- Department of Labor/CSC
- TransAlta Utilities/Digital
- Kaiser Permanente/ISSC

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OU-179

Notes

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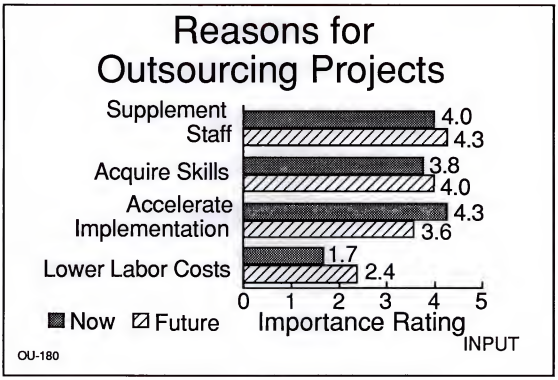

Notes

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Evolution of Outsourcing

Type of Prod. or Service	1960s	1970s	1980s	1990s
Applications Software	Packages		Turnkey	Appl. Mgmt.
Professional Services	Consulting		Dev.	SI

INPUT

OU-181

Notes

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Applications Management Functions

- Convert existing code to advanced languages
- Provides consulting services for new applications

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Applications Management Functions

- Technology assessment of packages
- Upgrade installed base
- Modify vendor and client packages

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Applications Management

- Development of applications software
  - Design
  - Language selection
  - Development
  - Test/implementation

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Applications Management

- Emerging opportunity
- Maintenance of software
  - Systems
  - Applications

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OU-185

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Evolution of Outsourcing

Type of Prod. or Service	1960s	1970s	1980s	1990s
Processing Services		Remote Processing	FM	SO

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Notes

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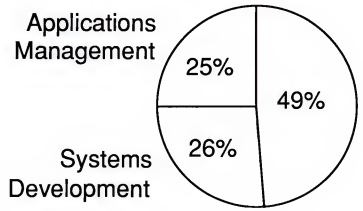
User Perspective Spending on Services



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OU-187

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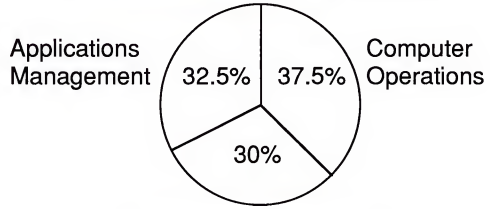
Vendor Perspective
Spending on Services



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Notes

Computer Operations includes existing data center equipment
Systems Development includes new project equipment

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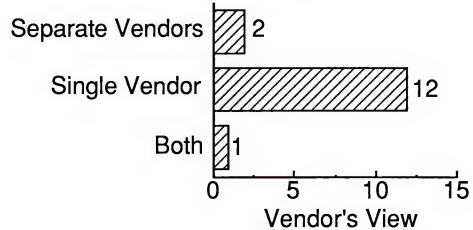
Single versus Separate Vendors



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Notes

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Vertical Market Activity

- Banking/finance
- Discrete manufacturing
- Federal market
- State/local government
- Utilities

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Notes

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Key Factors
Banking/Finance

- Positive
  - Consolidation of operations
  - Savings and loan retrenchment
  - New product/service introduction
  - Strong cost pressures

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OU-191

Notes

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Key Factors Banking/Finance

- Negative
  - Internal staff resistance
  - Unique industry knowledge
  - Complex multihardware environment

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Notes

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Key Factors
Discrete Manufacturing

- Positive
  - Islands of automation integrated
  - Data base use increasing
  - Customized solutions preferred
  - Batch-oriented systems replaced
  - Distributed PCs/workstations

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OU-193

Notes

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Key Factors
Discrete Manufacturing

- Negative
  - Infrastructure in place
  - Build rather than buy
  - Industry experience prerequisite

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Notes

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Key Factors
Federal Government

- Positive
  - Technical staff shortages
  - Shared implementation risks
  - Information technology upgrades
  - Service demands increase

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Notes

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Key Factors
Federal Government

- Negative
  - Deficit-limited budget
  - Greater protest activity
  - Existing systems maintenance

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Notes

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Key Factors
Federal Government

- Negative
  - Slow standards implementation
  - Extended implementation schedules

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Key Factors
State/Local Government

- Positive
  - New program/service demands
  - Shortage of qualified staff
  - Increasing network demands

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Notes

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Key Factors
State/Local Government

- Negative
  - 82,000 government units
  - Emphasis on local vendors
  - Federal budget reduction impact
  - Federal revenue-sharing ended

INPUT

OU-199

Notes

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Key Factors—Utilities

- Positive
  - Competitive use of technology increasing
  - Hardware/software obsolescence
  - Repetitive tasks automated

INPUT

OU-200

Notes

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Key Factors—Utilities

- Negative
  - Day-to-day orientation
  - Limited number of establishments
  - Financial constraints
  - Incentive for in-house capacity

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OU-201

Notes

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Outsourcing Vendor
Andersen Consulting

- Wide industry knowledge
- Rapid expansion of consulting
- Worldwide presence
- Extensive employee development

INPUT

OU-202

Notes

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Outsourcing Vendor CSC

- Strong federal market position
- Systems integration background
- Worldwide presence
- Shift emphasis to commercial

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Notes

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Leading Vendor Strategies

- Acquisition and equity positions
- Long-term alliances
- Staff training and development
- Broaden service offering
- Reduction of single industry dependence

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OU-204

Notes

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Emerging "Outsourcing" Trends

- Applications management
- Desktop services
- Transition management

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OU-205

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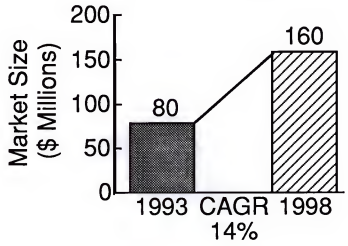
Outsourcing Market
Telecommunications Industry



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Notes

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New Market Entrants

- Document Management
  - Moore
  - Xerox
- Network Management
  - Advantis
  - MCI
  - Syncordia

OU-207a

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Notes

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New Market Entrants

- Billing
  - Systematics
  - May and Speh
- Health Care
  - FFMC
  - First Data

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OU-207b

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Outsourcing Market Leaders

1989	% Share	1992	% Share
EDS	16	EDS	14
CSC	5	CSC	5
Systematics	3	ISSC	4
ACS	3	First Data	3
Shared Medical	2	Digital	2

INPUT

OU-208

Notes

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New Technology Initiatives

- Client/server—Fast growth in desktop and network
- EDI/Electronic Commerce—Fast change in transactions activity
- Mobile communications—Exploding need for billing sophistication

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OU-209

Notes

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Globalization Trends

- EDS—European presence
  - Chausson and Cíe
  - Credit Lyonnaís
  - Bertin Cíe-France
  - CC Banque, Belgium

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OU-210a

Notes

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Globalization Trends

- Perot—U.K. penetration
  - East Midlands Electricity
  - EuropeCar
- CSC—New activity
  - British Home Stores

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OU-210b

Notes

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Globalization Trends

- Digital—Canadian success
  - Imperial Oil
  - Tranalta Utilities
- Systemhouse—Beyond Canada/U.S.
  - Mexican Finance Ministry

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OU-210c

Notes

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Outsourcing Client Satisfaction Study

- Approach:
  - Contact senior management—Outsourcing clients
  - Determine level of satisfaction
  - Identify perceived benefits/ drawbacks

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Outsourcing Client Satisfaction Study

- Preliminary Conclusions:
  - Clients looking for closer vendor relationships
  - Cost not overriding but important

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OU-212a

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Outsourcing Client Satisfaction Study

- Preliminary Conclusions:
  - Vendor staff not always viewed as best
    - Not enough resources
    - Not high quality

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OU-212b

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Conclusions

- Outsourcing vendors need integrators' skills
- Risk-and-cost management essential
- Users want partners, but for shorter time
- Major vendors continue to dominate market

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OU-213

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1993 Market Summary

- Users making more buy decisions
- Prospects looking for wider range or services
- Major challenges developing
  - Billing
  - Distributed management

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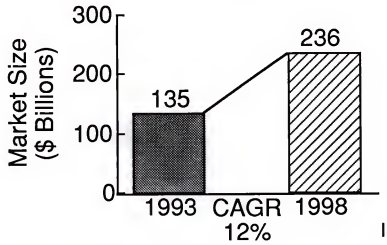
Total IS Market Potential 1993-1998



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ISO 9000 Compliance

- Critical to software companies
- Causes process redesign
- Calls for periodic site audits
- Strong business reasons to begin process
- Especially important for international business

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Vendor Management Style

- A—Arrogant
  - Change systems and personnel acquired
  - Install management on-site
  - Live by the contract

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Vendor Management Style

- B—Benevolent
  - Thoroughly understand client organization
  - Adapt services provided to client needs
  - Provide very flexible contract

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Vendor Management Style

- C—Careful
  - Tends to use conservative approach
  - Not likely to provide surprises
  - Reacts more slowly to needs, but reacts

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